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R-TOC Helps Keep Money In the Bank

Reduction in Total Ownership Cost (R-TOC) got its start at the December 1997 Defense Systems Affordability Council (DSAC) meeting, where Dr. Jacques S. Gansler, Under Secretary of Defense (Acquisition, Technology & Logistics) USD (AT&L), tasked the Services to set “ambitious top level goals for TOC reduction while increasing Program Manager responsibilities, and accountability to achieve them.”

The R-TOC program establishes a comprehensive, long-term, cradle-to-grave process for Air Force cost reduction. The R-TOC program seeks to reduce the cost of products and processes used to acquire, operate, and sustain weapon systems, as well as infrastructure costs. Costs for operation and support (O&S) make up the majority of a system’s total budget; some experts estimate up to 75%. When O&S costs for

active programs increase, there are fewer funds available to pay for new, more capable systems.

The goal of R-TOC is to realize significant cost reductions in order to fund urgent modernization priorities. The primary objectives are to arrest cost growth, reduce costs and capture savings, then reinvest the savings into future procurement.

R-TOC can be accomplished by inserting cost-reducing technology in fielded systems (e.g., improvements to increase reliability, maintainability, and supportability), reducing logistics cycle times, and competitively sourcing product support.

In January 1998, DSAC directed each military service to select 10 pilot programs and reduce their O&S costs by

20% by Fiscal Year 2005 (over 1998 figures). The R-TOC pilot programs have submitted plans that identify the steps they will take to achieve R-TOC goals. See page 7 for details on the Air Force’s successful B-1, C-5 and F-117 pilot programs.

DSAC Pilot Program forums will be held on a quarterly basis to allow selected programs to brief attendees on their R-TOC status. In addition, each pilot program produces a quarterly report for review. The next forum is scheduled for April 25, 2000. For information, visit <http://www.acq.osd.mil/dsac>.



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Leadership Corner

Welcome From Lt Gen Plummer

On 3 January SAF/AQ welcomed Lt Gen Stephen B. Plummer as the new Principal Deputy. He also serves as the military director of the United States Air Force Scientific Advisory Board.



First, let me say how excited I am to be joining such a proud and professional group of acquisition experts. The Air Force acquisition team enjoys an outstanding reputation of excellence, and I am glad to be here. As I visited our various PEOs, MADs, and product centers, it quickly became clear that this

reputation is well deserved. Providing our customers with the best weapon systems this nation can produce is a serious, complex business, which is of critical importance to national security. My focus as a part of this team will be centered on our customers—at all levels—so that the next time we have to send America's sons and daughters into harm's way, they have what they need to win quickly and return safely. Acquisition reform is helping us do that. It is streamlining processes, saving valuable resources, and getting capability into the users' hands more quickly. We will continue to look for new areas in which we can prove our ability to deliver systems and capabilities faster and smarter. Your continued commitment is essential to successful acquisition reform implementation and institutionalization.

I thank you for the warm welcome and look forward to meeting and serving with each of you.

New and Improved DoD 5000

The Defense Acquisition Policy Working Group (DAPWG) has been updating the current DoD 5000 series of policies governing the Defense Acquisition System since last fall. One of the major objectives of the update is to develop a new acquisition model that enables using an evolutionary acquisition approach with proven technology.

Other areas that will be emphasized in the new documents include:

- Integration of acquisition and logistics,
- Interoperability,
- Cost as a requirement that drives design, procurement, and support, and
- Increased competition.

The 5000 series will contain 3 documents: an updated DoD Directive 5000.1, similar to the existing document; a new DoD Instruction 5000.2, which contains some of the sections previously contained in DoD 5000.2-R concerning the acquisition model and process; and an updated DoD 5000.2-R, which will be similar to the existing document minus the sections moved to the new instruction. The draft documents are currently going through a DoD-wide coordination process and should be complete and signed by late spring.

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The SAF/AQ Vision

"Innovative professionals partnered with industry and our customers to lead the acquisition of aerospace capabilities."

The SAF/AQ Mission

"Assuring dominant aerospace power..."

- World-class technology
- Streamlined acquisition
- Affordable, timely and effective integrated systems, supplies, and services

...for the warfighter."

The opinions expressed in this newsletter are not necessarily those of the United States Air Force, its employees, or subcontractors.

In The Next Issue: In addition to our regular May/June issue, there will be a special edition featuring the highlights of Acquisition and Logistics Reform Week. If you would like to contribute articles, contact us at arnews@pentagon.af.mil.

AR Leadership Council Reviews Plans and Progress

ROSSLYN, VA, December 16, 1999. Senior leadership gathered at the fourth Acquisition Reform Leadership Council (ARLC4) meeting to discuss acquisition reform efforts and develop plans for future initiatives. In their opening comments, Dr. Lawrence J. Delaney, Assistant Secretary of the Air Force (Acquisition) and Mrs. Darleen A. Druyun, Principal Deputy Assistant Secretary of the Air Force (Acquisition) stressed the importance of ARLC Reinvention and Lightning Bolt teams in establishing and implementing policies to provide timely, and cost-efficient weapon systems to the warfighter. Other topics of discussion included the HAF 2002 effort and issues affecting small businesses.

Reinvention Team (RT) Awards

Five Reinvention Teams were recognized for their accomplishments in setting and meeting goals to further enhance acquisition reform initiatives: Contract Award Cycle Time (Col Timothy Callahan), Centralized Sustainment Contracts (Lt Col Lisa Anderson), CAIV/Sustainment Emphasis in the Requirements Process (Col Michael Kaye), Commercial Services (Maj Brian Bellacicco), and Reengineering the Source Selection Process (Ms. Kathleen James).

In addition, three new Reinvention Teams were approved for deployment: Modification Management Process (Ms. Eilanna Price at eilanna.price@wpafb.af.mil), Training (Ms. JoAnn Swangim at joann.swangim@wpafb.af.mil), and Total Ownership Cost (Ms. Debbie Bereda at Deborah.Bareda@pentagon.af.mil).



Lt Gen John W. Handy and Mrs. Darleen A. Druyun look on as Dr. Delaney presents a Reinvention Team (RT) award to team leader Lt Col Lisa Anderson. Five teams were recognized with RT awards.

Lightning Bolt '99 Updates

Two Lightning Bolts were declared implemented at the ARLC4 meeting: LB 99-1 (Acquisition Support Teams) and LB 99-4 (Alternative Dispute Resolution).

The purpose of LB 99-1 (Acquisition Support Teams) is to expand the role of HQ AFMC and Center-level RFPSOs to include all pre-award activities, including source selection. Finally, LB 99-4 (Alternative Dispute Resolution) was deployed to develop procedures to resolve contract disputes at the lowest level, least cost, and fastest pace.

See page 4 for updates on these Lightning Bolts. Progress on these and the rest of the 1999 Lightning Bolts will be noted on SAF/AQ's website at <http://www.safaq.hq.af.mil/>.

HAF 2002

Headquarters Air Force (HAF) 2002 plans to introduce a reengineered requirements process implementation plan by Spring 2001. During a recent data gathering exercise, HAF discovered that the current requirements process lacks effective guidance, analysis, and training, causing problems with linkages to other core processes and making it difficult to garner and sustain program support. For more information on the HAF 2002 effort, visit <http://safnet17/HAF2002/index.cfm>.

Industry Issues

Dr. Paul Hsu, President of Manufacturing Technologies, Inc, presented a briefing on "Comprehensive Small Business Subcontracting Plans." Dr. Hsu indicated that small businesses believe the current small business subcontracting plan used by the Air Force will not provide sufficient opportunities for survival of newly emerging small businesses.

Briefing charts used for these presentations are available on the SAF/AQ web site at http://www.safaq.hq.af.mil/acq_ref.

LIGHTNING BOLT 99-2 SUPERIOR SOURCE SELECTION

LIGHTNING BOLT 99-4 ALTERNATIVE DISPUTE RESOLUTION (ADR) FIRST

The Air Force successfully implemented the Superior Source Selection Lightning Bolt (LB 99-2) by its September 1, 1999 deadline. Source Selection Expert Advisors (SSEAs) from throughout the Air Force were identified to ensure high quality and consistency in the source selection process. The SSEAs, now over 100 strong, initially met at a kickoff meeting at Wright-Patterson AFB, OH, in June 1999. There, the LB 99-2 Champion, Mr. Tim Beyland, the Acting Air Force Deputy Assistant Secretary (Contracting), laid out the expectations and objectives. In September 1999, the first SSEAs were trained and licensed to use the Air Force Business Solutions Exchange (BSX) web-based tool, which is proving beneficial in facilitating real-time communication among the SSEAs. A recently updated source selection procedures guide, as well as a number of other useful source selection related documents may be accessed at this website: <http://www.bsx.org> under the Source Selection BSX Community of Interest.

The SSEAs held conferences in November 1999 and March 2000. In November, they reviewed their charter and several SSEAs briefed the implementation status of the Lightning Bolt within their organizations. At the March conference, the final charter approved by SAF/AQ on March 9, 2000 (see <http://www.safaq.hq.af.mil/contracting/toolkit/part15/sselect.pdf>) was released. During that conference, invited industry association representatives provided their perspective regarding the Air Force source selection process. At each conference, SSEAs also discussed source selection issues, sharing best practices and lessons learned. These forums are expected to continue on a quarterly basis. The next meeting is tentatively scheduled for July 18 & 19, 2000, to be hosted by Air Force Space Command in Colorado Springs, CO.

Works in progress by the SSEAs include developing templates for use in writing the Source Selection Decision Document (SSDD) and Proposal Analysis Report (PAR), both to be completed by June 2000.

The SSEAs continue to become an integral part of the source selection process and form a viable network to achieve the goals of greater consistency and quality in Air Force Source Selections.

For more information on the implementation of Lightning Bolt '99-2: Superior Source Selection, please contact Ms. Kathy James at SAF/AQCP at (703) 588-7059, DSN 425-7059, or kathleen.james@pentagon.af.mil.

Lightning Bolt (LB 99-4) required all ACAT I and II programs to establish program-level ADR agreements for contract controversies between the Government and prime contractors. As of December 1999, 98% of affected programs and 17 of the top 18 DoD contractors have signed ADR agreements in place. Both parties are committed to using ADR to resolve issues and controversies prior to pursuing litigation.

Air Force Policy Directive 51-12 *Alternative Dispute Resolution* (April 1999) does the following:

- ➔ Establishes policy "to voluntarily use ADR to the maximum extent practicable and appropriate."
- ➔ Makes the Principal Deputy General Counsel the office of primary responsibility for ADR.
- ➔ Requires various "two letter" organizations to work with the Office of the General Counsel to implement the ADR program.
- ➔ Requires appointment of ADR advocates at each major command, base, and direct reporting unit.
- ➔ Requires development of an ADR infrastructure including an ADR Advisory Team and the Dispute Information Management Support (DIMS) Feasibility Study.
- ➔ Requires an ADR training program.
- ➔ Establishes ADR Program metrics and quality assurance.

Last year, a Presidential Memorandum established the Inter-Agency Alternative Dispute Resolution Working Group ("IADRWG") that developed and published a new Internet Guide to Federal Procurement ADR. The Guide may be accessed at: <http://www.adr.af.mil/iadrwg/>.

The Air Force is committed to ADR to reduce the time and costs associated with resolving conflicts and to achieve creative, efficient and sensible outcomes that resolve contract issues and disputes.



The Source Selection Procedures Guide can be directly accessed at:
<http://www.bsx.org>

Click on Source Selection and Guidance Documents for the latest version.



A Fresh Approach to New Starts

by Maj Christopher W. Keefer

Lead AF Investment Programmer, SAF/AQXR

To ensure that our Air Force is ready to protect and defend this nation, we have made major program changes in mid-year. The fiscal year budget cycle starts at least a year in advance of Congress appropriating funds for programs in the President's Budget (PB). Inevitably, between the time of the PB submission and the Congressional action, our investment strategies change to respond to execution realities, new technology, or changing requirements.

However, any changes must be made within the constraints of constitutional law. As a result, there may be entirely new efforts or the acceleration of efforts slated for the future that are classified as out-of-cycle new starts.

We have the responsibility to give Congress notice in the required form, when there is a change in a program previously approved by Congress. Last fiscal year, there were several DoD programs initiated in mid-year that did not go through the budget process.

The acquisition community has a new validation process to ensure that there is Congressional approval prior to funding out-of cycle new starts. The following explains the process.

Congressional new start notification procedures are delineated in DoD FMR 7000.14-R, Vol 3, Chapter 6. But notifying Congress is not just a technical requirement. DoD and Air Force regulations define new starts as a program, subprogram, modification, project or subproject, regardless of amount, not previously justified to and appropriated by Congress in a given appropriation through the normal budget process. This includes efforts not described in the Research, Development, Test and Evaluation (RDT&E) Descriptive Summaries or Procurement Justification Books that accompany the PB. Budget justification documentation submitted to Congress can be found on the SAF/FM web site at: <http://www.saffm.hq.af.mil/>.

According to the new procedures, System Program Director and Program Control Chief validation must confirm Congressional appropriation or new start approval before any funds are obligated. Then, one of the following must be true prior to executing the contracting action:

The effort is not a new start requiring Congressional approval if:

- It is budgeted in the PB; is consistent with Defense Appropriations language; and the fiscal year matches PB fiscal year, or
- It is not requested in the PB, but funds were appropriated; the effort is consistent with program direction provided by Defense Appropriations language; and fiscal year of marks match fiscal year of funds being used, or
- SAF/HAD has advised that new start notification is not required.

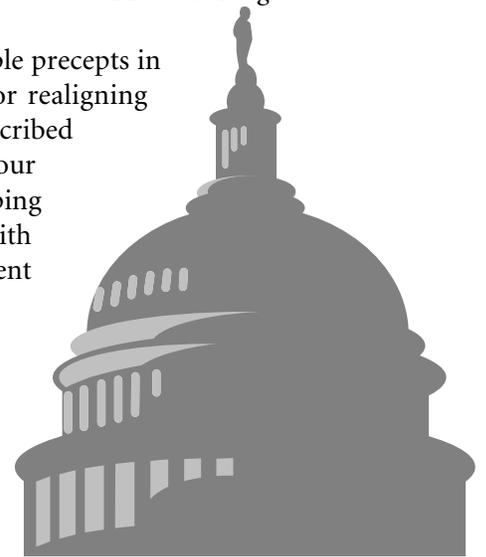
The effort is an Out-of-cycle New Start (there was Congressional notification) if:

- Approval is reflected on the Secretary of the Air Force funds release documents.

Remember, formal Congressional notification must occur via letter or through prior approval reprogramming procedures. Inclusion in the Program Objective Memorandum (POM), Budget Estimate Submission (BES), Program Management Directive (PMD), Acquisition Program Baseline (APB), staffer day briefings or other media do not constitute Congressional notification.

For additional guidance on new starts and the notification process, refer to AFI 65-601, Vol 1, *Budget Guidance and Procedures*, AFI 63-101 *Acquisition Systems* and AFI 23-205, *Managing the Procurement Materiel Programs*.

Follow these simple precepts in reprogramming or realigning funds within prescribed limits to achieve our mission of equipping the war-fighter with the right equipment at the right time.



The Reformed Supply Support Initiative

By TSgt Debra Richerson
McClellan AFB

Headquarters Air Force Materiel Command (HQ AFMC) formed a team to review issues concerning the way the Air Force buys initial spares for weapon systems. In 1997, the Reformed Supply Support Program (RSSP) was implemented on five pilot programs.

What is RSSP?

RSSP, a partnership between government and industry, streamlines the weapon system spares acquisition process by using more reliable logistics and program data, and allowing total asset visibility of contractor spares actions. This will allow for demand-based acquisitions, minimal excess, increased support, and improved acquisition techniques.

A key to success is establishing, early in the acquisition cycle, a weapon system Supply Support Integrated Product Team (SSIPT) made up of government and industry functional experts who define the interim support requirements. The ISS period, generally three years in length, is from the operational turnover of the system to the establishment of a government Inventory Control Point (ICP).

During ISS, the contractor supplies the weapon system peculiar parts and is responsible for managing the inventory, and replacing the items. Performance is evaluated using performance measures similar to the ones used for a government ICP. These measures will be used to determine when to transition to a government ICP or continue contractor support under a Contractor Logistics Support contract.

Why Is RSSP Needed?

In the past, both the contractor and the government used models to forecast spares, but they rarely shared the data. This led to inaccurate forecasting that was not based on actual demands. The result was a huge surplus of unused and/or obsolete spares.

“RSSP... streamlines the weapon system spares acquisition process by using more reliable logistics and program data, and allowing total asset visibility of contractor spares actions.”

Seven General Accounting Office, Air Force Audit Agency audits and Defense Logistics Agency studies documented the inadequacy of current methodologies and computed excess spares at over \$2.8 billion. The process needs to be reformed!

What Will RSSP Do?

The RSSP concept saves initial spares dollars by acquiring the “right” spares to support weapon system requirements. The program relies on

an automated data exchange capability that captures spares usage and failure data during the early acquisition stages. The SSIPT will analyze the data to determine when to transition the weapon system to an ICP for sustainment and to determine which spares to buy. Under RSSP, contractors will identify unique spares and initiate cataloging actions prior to fielding the weapon system. This will ensure retail level users can continue to operate their requisitioning process as it is done today. Additionally, the entire transition process will be seamless to the base level supply and maintenance activities.

Where Are We Now?

The five pilot programs (Spacelift Range Systems, F-22, C-17, C-130J, and Global Air Traffic Management) are currently in different stages. Each have played an active role in the reengineering effort during concept exploration and planning, and have continued to do so during implementation. RSSP will increase total asset visibility to the warfighter by using a data exchange system that reaches back to the contractor. It will provide for demand-based acquisitions. But, most importantly, it will improve spares support to the warfighter while reducing life cycle costs.

The RSSP Co-Chairs, Debra Alexander (SM-ALC/LHC) and Gym Conner (Det 11, CWS) lead the implementation activities and have a staff of 11 experts at Peterson AFB and McClellan AFB. For more information about RSSP, log on to the RSSP web site: <http://www.cisf.af.mil/rssp>.

Success Stories

R-TOC Pilot Programs Rock!

B-1

By Jean Hopkins

R-TOC Program Manager, GS-14, B-1 SPO

The B-1 System Program Office (SPO) established a Cost Reduction IPT (CRIPT), to identify cost reduction initiatives (CRIs) and document, analyze, champion, and track those initiatives.

The CRIPT collects acquisition and sustainment initiatives from the B-1 community. Initiatives are entered into a database, prioritized, analyzed, validated, and presented to the CRIPT executive committee for decision. Of 86 initiatives, 21 have been implemented or are awaiting funding. Twenty-seven have been rejected and 38 are in analysis.

Mr. Carl Lippe (OC-ALC/LABMC) developed a database (available on the B-1 cost reduction website) to track CRIs and standardized the business case analyses to conform with R-TOC reporting requirements. Anyone can track a CRI's progress through a B-1 SPO website.

The CRIPT has assessed the B-1 high cost driver depot level reparables (DLRs). Of the top DLRs, 40 will be removed with the Block F upgrade beginning in FY 2003. Twenty-seven are engine-related and reduce cycle time and life cycle cost. SA-ALC is upgrading 3 DLRs under an engine Component Improvement Program. Twenty-one are still being analyzed.

To ensure success, an R-TOC team needs the support of management, the warfighter, major contractors, and the sustainment community. Cost drivers must be identified and understood before cost reduction can be initiated. O&S costs must be considered as part of any modification.

The B-1 will realize 20% O&S

C-5

By Mr. David Nielsen and Capt Gary Salmans

Cost Reduction IPT Leads

The Defense System Affordability Council selected the C-5 System Program Office (SPO) as a R-TOC pilot program in January 1999. Current efforts center on reengineering product support for the C-5 Galaxy, a fielded, mature airframe (C-5 models are about 30 years old).

In the future, the C-5 and C-17 will be the only platforms flying strategic airlift missions requiring the rapid delivery of outsized cargo. By FY05, the C-5 will account for 50 percent of the organic strategic lift capability and 28 percent of total strategic lift capability. The C-5 SPO's strategy for future modernization and sustainment will improve overall fleet availability, while reducing TOC.

The Avionics Modernization Program (AMP), the first phase, replaces mechanical cockpit dials and tape engine instruments with state-of-the-art flat panel displays. It also replaces old systems with new avionics, flight control, autopilot, and other systems, making the C-5 Global Air Traffic Management (GATM) compliant.

The Reliability Enhancement and Re-engineering Program (RERP), the second phase, will consist of new engines (commercial off-the-shelf), structural upgrades and subsystems modifications to improve fleet availability and meet R-TOC goals.

Other potential cost reduction initiatives being evaluated are inspection concepts, long-term relationships with suppliers using performance-based metrics, and Technical Order (TO) digitization.

The C-5 Directorate is aggressively pursuing cost reduction initiatives that will enable reinvestment of the savings into the weapon system to ensure its viability until 2040.

F-117

By 2nd Lt Justin T. Cenzano

Cost Reduction IPT Lead

The F-117 Nighthawk, a single-seat, twin-engine fighter, is a key USAF initiative in the R-TOC pilot program. As part of its R-TOC effort, the SPO implemented an innovative support relationship with its prime contractor, Lockheed Martin Skunk Works (LMSW), through a Total System Performance Responsibility (TSPR) contract. LMSW provides long-term support of the weapon system and is highly incentivized to meet operational requirements.

Under the TSPR contract, LMSW integrates the work of other vendors and contractors, and fulfills logistic support functions. The SPO retains inherent or "core" government tasks in such areas as requirements determination, program direction, financial and contract management. This has allowed the SPO to downsize from 226 to 55 personnel at significant savings.

A cost-plus incentive fee/award fee (CPIF/AF) contract was key to protecting the government's interests. The contract is highly incentivized for performance and reducing total ownership costs. The award fee ensures customer satisfaction and the flow down of government contracting principles to the sub-contractor level.

By implementing TSPR and ensuring stabilized funding in FY 99, over \$23M was saved. Furthermore, a 50/50 share of a \$7.8M LMSW underrun, gave the government the opportunity to apply \$3.9M to other funding priorities.

This partnership has been highly successful, with LMSW exceeding performance expectations and providing operational support at cost savings to the government.

A&LR Week Coming In May!

On January 24, 2000, Dr. Jacques S. Gansler, Under Secretary of Defense (Acquisition, Technology & Logistics) USD (AT&L) designated May 22-26, 2000 Acquisition and Logistics Reform Week with the theme "Embracing Change for the 21st Century Warfighter."

ALR Week provides an opportunity for acquisition professionals at all levels to assess reform initiatives and investigate ways to accelerate their implementation.

Dr. Gansler has asked each organization to take one full day to focus on acquisition and logistics reform. Each organization will plan and conduct their own activities, such as case studies, "lessons learned" discussions,

panels, speeches, classes, and simulations.

In support of ALR Week, the Defense Acquisition University's Acquisition Reform Communications Center (ARCC) will provide a package of training materials for organizations to use in guiding or supplementing their own training programs. These training materials, with satellite broadcasts and Service/Agency hosted training events, support the continuing education policy of 80 hours every two years.

ALR Week is an important and exciting event that will allow us to share past successes and take the next step in providing better, faster, and less expensive products to our customer - the warfighter.

Upcoming Events

USAF Air Demonstration Squadron
The United States Air Force Air Demonstration Squadron 2000 season has begun. The Thunderbirds will perform at Andrews Air Force Base, Maryland on May 20-21. For more information, visit the Thunderbirds website at <http://www.neilis.af.mil/thunderbirds>.

12th Annual Software Technology Conference

"Software and Systems—Managing Risk, Complexity, Compatibility, and Change" is scheduled for April 30 through May 5 in Salt Lake City, Utah. See <http://www.stc-info@ext.usu.edu> or contact Dana Dovenbarger at dana.dovenbarger@hill.af.mil or (801) 777-7411 (DSN 777-7411) for details.

Find Out More about A&LR Week!

Visit <http://www.acq.osd.mil/alrweek2000/> for more details on Acquisition and Logistics Reform Week, which is scheduled for May 22 - 26, 2000.

Look for the the AA 2000 Special Edition in May to read more about the Air Force focus for ALR Week partnering